

`SACS ACCOUNTING COMMITTEE
Minutes

July 10, 2001
Riverside County Office of Education

I. Accounting Issues

A. New Resources

A tentative list of changes to resources, which will appear in the December 2001 CSAM, was distributed. It was pointed out that the title of Resource 7260 has been changed from SIP K-6 to School Improvement Program, and Resource 7265 SIP 7-12 is now optional.

B. MAA, Medicare Administrative Assistance.

There are many who are calling about this resource. It is federal unrestricted dollars. Individuals who wish further information should contact Linda Protine, Sutter COE, or John Fogerty, Orange COE.

C. GASB 24 and Pass Through Grants

The guidance for the accounting of pass-through grants was reviewed. If the district were a sub recipient of the grant, it would report the funds as federal or state revenues along with the federal or state resource. If the district were a contractee for another entity, it would report the funds as local revenues using object 8677 if from another K-12 LEA or 8699 if from all other entities, and preferably with a local resource. If the district is merely a contractee, then it is not subject to compliance requirements of the grant, such as A-133 for federal funds. CDE proposed eliminating object 8285, because it is no longer applicable under the above guidance.

Although the accounting guidance for sub recipient and contractee is clear, the distinction between sub recipients vs. contracted services is not so clear. CDE will research and provide further guidance regarding sub recipient vs. contracted services.

Although the contractee reports the revenues as local sources, if the sources of funds from the contractor are federal, the PERS Reduction should not be charged to these funds.

There was discussion to propose a change to the accounting for transfers of apportionments. Currently, the SELPA AU and the participating districts of a ROC/P JPA recognize the apportionments as state revenues while the SELPA members and the ROC/P JPA recognize the transfers of apportionments as local revenues. The proposal would be that the

accounting to be similar to the accounting of pass-through grants, that is, the SELPA AU and participating members of the ROC/P would recognize the revenues as state pass-through revenues and the SELPA members and ROC/P would recognize the revenues as state apportionments. Concerns were expressed that with the proposed change, LEAs would not be able to tie back the apportionments to the state apportionment documents.

D. GASB 31 Fair Market Value of Investments

CDE distributed a draft of CSAM Procedure 703 containing guidance on GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB 31 has been in effect since 1998 and requires LEAs to report their cash with county treasurer at fair value. This means booking an adjustment to revenue and to Cash With County Treasurer for the unrealized gain or loss on the fair value of the treasurer's pool's portfolio as of June 30. When GASB 31 was first released, there was significant concern about posting unrealized gains or losses to Object 9110 Cash in the County Treasury. CDE has addressed this concern by proposing a 9111 account, probably to be titled Adjustment to Fair Value of Cash With County Treasurer, for recording this adjustment to avoid the necessity of booking the adjustment to cash. CDE will also create an account to designate the change to fund balance resulting from booking unrealized gains or losses. CDE recognizes that typically, for most LEAs, the adjustment to fair value is not material.

E. Revenue Recognition Under Modified Accrual

Currently, the availability period under modified accrual for revenue recognition has varied from 60 to 90 days, and for state apportionments to the annual certification in February of the subsequent fiscal year. Using the 60-90 days availability period, categoricals in which a district has incurred qualifying expenditures, but won't receive the funds within the 60-90 days, will have to record contributions from the unrestricted resource. And when the revenues are received in the subsequent year, the revenues are then recognized at that time, and reversed contributions are made to the unrestricted resource. So as not to distort revenues patterns, and take into account the existing revenue recognition for apportionments, California LEAs will use the definition of available to include amounts generally collected within one year for grants and apportionments.

F. Article XIII B Fund

CDE distributed a position paper and invited feedback regarding elimination of the Article XIII-B Fund, in follow-up to discussion with the

SACS Accounting Committee in September 2000. From CDE's research of issues relating to GASB Statement 34, it is apparent that this fund must be reclassified as something other than a fiduciary fund. However, CDE has concluded that there is neither a need nor a requirement for an Article XIII-B fund at all. For every purpose described in Article XIII-B of the California Constitution, there already exist one or more other authorized funds. CDE proposes phasing out the fund over the next three years, to allow LEAs to eliminate it concurrent with their implementation of GASB 34. The committee offered no objection to eliminating this fund. Only 36 of the 1100 LEAs statewide utilize it.

G. Debt Service Payments

CDE invited committee feedback on changing how Debt Service expenditures are reported on the J-200 and SACS forms. CDE proposes reporting them in Section B, Expenditures, rather than in Section D, Other Uses, to be consistent with how Debt Service expenditures are reported in the financial statements and to bring the J-200 and SACS into closer alignment with GAAP. CDE also invited discussion on whether Debt Service expenditures should be renumbered from their current accounts in the Object 7600 series, to corresponding accounts in the Object 7400 series, to keep object ranges consistent within the J-200 and SACS reports. The committee had no objection to changing how Debt Service expenditures are reported, and agreed that CDE should renumber Debt Service expenditure accounts to the Object 7400 series at the same time.

H. State Funding for Special Education

There are several who are accounting for the Special Education Infant Program using Resource 6500, which is for AB 602 funding. It was pointed out the Resource 6510 should be used to account for this program as it is not funded through AB 602 but through the J50.

I. Year end Closing

Several LEAs have called for samples of checklists or other documents for year-end closing. San Diego COE and San Bernardino COE stated they would send their documents.

J. Resource 5080, Child Dev: School-Age Resource Grants

It has been brought to our attention that Child Development switched PCA 13941 to Child Dev: School-Age Resource Grants. The Query system has been changed to reflect this information with Resource 5080 rather than Resource 6012 After-School & Safe Neighborhoods Partnerships. Child Development is issuing correcting letters.

K. Use of Project Year

We discussed the use of the project year field for a multiple year grant with dollars allocated individually for each year and an annual reporting requirement. In this case you would use the last digit of the year for which the dollars are required to be spent. If a multiple year grant with dollars allocated individually for each year but the reporting requirement is for all years due at the end of the grant, you would use the last digit of the year the grant ends.

L. Discussion on use of Goal 4760, Bilingual

Because the Federal Handbook had it, the Bilingual Goal was created when SACS was originally developed. There was discussion how the goal was being used. Certain LEAs were using the bilingual goal with those resources to provide services to pupil not proficient in English. Generally, these resources are to help the pupils in their regular education, and there may not be a need for the goal if the resources are used to identify the additional funding. No decision was made as to eliminating this goal.

II. Software

A. Charter School and RL form

School districts are getting exceptions in the TRC, because they are either completing the RL form incorrectly for the charter school data, or incorrectly reporting the charter school revenues, such as including the in-lieu of property taxes in object 8015. CDE went over examples showing how the RL form should tie to the revenues in the financial data with the charter school data. The only valid exception is for those LEAs where they are the sponsoring LEAs but not the approving LEAs and they are transferring in-lieu of property taxes to the charter schools. The TRC does not work in this instance, and the LEAs should explain the exception.

B. Happy Meals in Unaudited Software

The Report item listed between Forms and Setup at the top of the SACS software was demonstrated. LEAs were encouraged to use the reports when submitting financial information to CDE program staff.

C. Formatting Stream of Data for SACS software

The file format for this process can be found in the SACS Software User Guide, Attachment A. It is also available on the web at <http://www.cde.ca.gov/sfsdiv/sacs/sacsimpt.htm>.

D. Software

1. Account Group 97

LEAs are getting exception because of misunderstanding in how the Form 97A works. The TRC is comparing the beginning

balance in the Form 97A with the prior year long-term debt ending balances as reported by the LEAs to CDE. LEAs need to import or key enter the ending balances as of June 30 into the SACS software. Once the ending balances are in the software, the Form 97A will extract the ending balances into the form, and the LEAs need to enter the additions and deletions to back into the beginning balances. The form was designed in this manner so that June 30 balances are extracted into the form. Otherwise there would have been another TRC to compare the June 30 balances in the 97A with those in data for account group 97.

2. Changing Beginning Fund Balances

Funds whose ending fund balances were incorrectly reported on the prior year's J200/400, must be reported with the same beginning fund balance for the following year, because the Technical Review Checklist verifies continuity of fund balances from one year to the next.

The LEA must then correct the fund balance in the current year. There are two ways to do this. The first is to book an interfund transfer in the current year, shifting the balance from one fund to another. This would be appropriate if, for example, the LEA is closing one fund and opening another. The other is to use Object 9795, Other Restatements. This would be appropriate if, for example, the LEA had operated the right fund, but just reported it on the wrong J200 or SACS fund form to CDE.

3. Changes in Software

The changes in the unaudited software were discussed. These changes are listed starting on Page 2 of the Software Users Guide.

III. Miscellaneous Topics

A. Implementation Deadlines and Extensions

This item was placed on the agenda at the request of the Orange COE. All of the questions Orange had have been answered and there were no questions from other attendees.

B. How to download tables from the Internet and Updates to the tables

There are many who are calling with questions on how to download the validation tables. The instructions are available on the web at <http://www.cde.ca.gov/sfsdiv/sacs/chart.asp>. These tables are updated periodically. Anyone wishing to receive an e-mail notification of updates please e-mail Martin Harris at mharris@cde.ca.gov.

C. Recent Questions

Recently questions have been asked about after- school tutoring/homework programs. These programs should be coded to Function 1000 Instruction as they are in support of the basic instruction students are receiving.

A second topic was Resources 1100 and 6300 Lottery. The question is may an LEA contribute into these resources and the answer is yes. However, they may not contribute lottery funds to other resources. Lottery money must maintain its resource identity.

Finally, the California Energy Commission Loans do not need a resource. They are loans and need to be repaid from unrestricted resources.

D. Charter School Categorical Block Grant

A listing of the programs that are included on the 2000-01 Charter School Categorical Block Grant was distributed. Ellen Venturino compiled the list and she will also be compiling a list for 2001-02.

E. Next Meeting

It was determined that meeting north and south should be continued. The suggested date of October 9, 2001 has been changed to October 24, 2001 in Sacramento. This was the only date available at 721 Capital Mall. Please make sure you RSVP to Mary Eve Peek at mpeek@cde.ca.gov.